

THE UNION FOR CONTEMPORARY ART, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

YEAR ENDED DECEMBER 31, 2022

Contents

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities and Change in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-17

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Union for Contemporary Art, Inc.
Omaha, Nebraska

Opinion

We have audited the financial statements of The Union for Contemporary Art, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2022, the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Prior Period Adjustment

As described in Note I to the financial statements, the Organization restated net assets as of January 1, 2022 to correct an error relating to the recording of unconditional promises to give. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after March 23, 2023.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Lutz & Company, P.C.

March 23, 2023

THE UNION FOR CONTEMPORARY ART, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 2,638,921
Current Portion of Unconditional Promises to Give	589,939
Other Receivables	1,789
Total Current Assets	<u>3,230,649</u>

PROPERTY AND EQUIPMENT

Leasehold Improvements	1,100,612
Furniture and Equipment	413,085
Construction in Progress	2,253,417
	<u>3,767,114</u>
Less Accumulated Depreciation	(492,001)
Total Property and Equipment	<u>3,275,113</u>

OTHER ASSETS

Cash and Cash Equivalents - Restricted for Capital Projects	558,849
Unconditional Promises to Give - Restricted for Capital Projects	2,550,000
Unconditional Promises to Give, Less Current Portion	16,000
Operating Lease Right-of-Use Asset	10,053
Total Other Assets	<u>3,134,902</u>
	<u><u>\$ 9,640,664</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 607,818
Accrued Wages and Vacation	34,428
Other Accrued Expenses	329
Current Portion of Operating Lease Liability	2,267
Refundable Advances	1,200,000
Total Current Liabilities	<u>1,844,842</u>

LONG-TERM LIABILITIES

Operating Lease Liability, Less Current Portion	7,786
Total Long-Term Liabilities	<u>7,786</u>
Total Liabilities	1,852,628

COMMITMENTS AND CONTINGENCIES

-

NET ASSETS

Without Donor Restrictions	
Undesignated	1,629,816
Total Without Donor Restrictions	<u>1,629,816</u>
With Donor Restrictions	
Purpose Restrictions	3,002,281
Time Restricted for Future Periods	3,155,939
Total With Donor Restrictions	<u>6,158,220</u>
Total Net Assets	<u><u>7,788,036</u></u>
	<u><u>\$ 9,640,664</u></u>

The accompanying notes to financial statements
are an integral part of these statements

THE UNION FOR CONTEMPORARY ART, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUES AND SUPPORT			
Contributions and Grants	\$ 890,928	\$ 4,530,775	\$ 5,421,703
Other Income	53,133	-	53,133
Net Assets Released from Restriction			-
Satisfaction of Program Restrictions	674,361	(674,361)	-
Expiration of Time Restrictions	201,343	(201,343)	-
Total Operating Revenues and Support	<u>1,819,765</u>	<u>3,655,071</u>	<u>5,474,836</u>
OPERATING EXPENSES			
Program Services	1,548,716	-	1,548,716
Management and General	184,970	-	184,970
Fundraising	12,546	-	12,546
Total Operating Expenses	<u>1,746,232</u>	<u>-</u>	<u>1,746,232</u>
CHANGE IN NET ASSETS	73,533	3,655,071	3,728,604
NET ASSETS - BEGINNING OF YEAR, AS ORIGINALLY REPORTED	1,556,283	2,403,149	3,959,432
PRIOR PERIOD ADJUSTMENT	-	100,000	100,000
NET ASSETS - BEGINNING OF YEAR, AS RESTATED	<u>1,556,283</u>	<u>2,503,149</u>	<u>4,059,432</u>
NET ASSETS - END OF YEAR	<u><u>\$ 1,629,816</u></u>	<u><u>\$ 6,158,220</u></u>	<u><u>\$ 7,788,036</u></u>

The accompanying notes to financial statements
are an integral part of these statements

THE UNION FOR CONTEMPORARY ART, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	Program Services										Supporting Services			Totals
	Shirley Tyree Theatre	Abundance Garden	Co-Op Studios	Exhibition	Fellowship	Performing Arts	Youth Outreach	Populus Fund	Other	Total Program Services	Management and General	Fundraising	Total Supporting Services	2022
Advertising	\$ 347	\$ 160	\$ -	\$ 1,238	\$ -	\$ -	\$ -	\$ 3,147	\$ -	\$ 4,892	\$ -	\$ -	\$ -	\$ 4,892
Art Supplies and Materials	-	350	3,170	4,165	-	149	2,652	-	-	10,486	1,000	-	1,000	11,486
Catering and Event Expenses	-	15	-	-	-	-	181	-	-	196	-	-	-	196
Food and Beverage	-	313	86	86	845	358	6,626	54	-	8,368	483	-	483	8,851
Supplies	5,552	5,311	4,395	8,566	320	1,297	2,460	-	-	27,901	438	-	438	28,339
Production Materials	-	77	-	-	-	144	-	-	-	221	-	-	-	221
Bank Charges and Fees	-	376	376	376	376	376	376	-	-	2,256	374	-	374	2,630
Commissions and Fees	-	-	-	8,000	-	-	-	-	-	8,000	-	-	-	8,000
Dues and Subscriptions	-	933	1,013	944	1,433	1,089	2,490	-	-	7,902	933	-	933	8,835
Education and Training	-	1,031	1,298	1,031	1,281	1,281	2,502	-	-	8,424	1,030	-	1,030	9,454
Honorariums	-	1,129	3,529	10,049	17,354	11,829	19,294	5,000	750	68,934	17,251	-	17,251	86,185
Grant Payments	-	-	-	-	-	-	-	60,000	-	60,000	-	-	-	60,000
Insurance	7,392	3,746	3,746	3,746	3,746	3,746	3,746	-	-	29,868	3,743	-	3,743	33,611
Legal and Professional Fees	-	4,317	4,317	4,317	4,317	4,317	4,317	-	-	25,902	6,682	-	6,682	32,584
Meals and Entertainment	313	804	846	1,480	914	864	854	120	16	6,211	961	234	1,195	7,406
Office Expenses	-	6,428	13,751	4,401	6,401	6,487	6,832	2,959	-	47,259	3,206	340	3,546	50,805
Outside Services	3,270	2,570	2,570	10,824	2,570	2,570	2,570	732	-	27,676	4,105	-	4,105	31,781
Payroll Related Expenses and Benefits	-	127,895	226,536	124,790	151,546	142,932	217,256	29,403	-	1,020,358	121,138	-	121,138	1,141,496
Postage and Shipping	-	704	926	7,536	415	415	415	9	-	10,420	415	1,817	2,232	12,652
Gifts and Appreciation	663	474	474	592	474	474	474	-	-	3,625	475	9	484	4,109
Building Expenses	-	7,448	7,181	5,090	5,090	5,090	5,120	-	-	35,019	-	-	-	35,019
Repairs and Maintenance	-	514	545	514	514	514	553	-	-	3,154	514	-	514	3,668
Equipment Rental	134	744	382	2,171	382	382	382	-	-	4,577	381	-	381	4,958
Stationery and Printing	7,383	1,646	721	1,536	721	995	721	18	-	13,741	721	10,146	10,867	24,608
Travel	10	524	1,524	1,347	1,182	2,217	1,223	190	-	8,217	1,568	-	1,568	9,785
Utilities	-	6,137	6,407	6,137	6,137	6,272	6,407	-	-	37,497	7,620	-	7,620	45,117
Depreciation	-	3,977	19,886	3,977	15,909	7,954	15,909	-	-	67,612	11,932	-	11,932	79,544
TOTAL FUNCTIONAL EXPENSES	\$ 25,064	\$ 177,623	\$ 303,679	\$ 212,913	\$ 221,927	\$ 201,752	\$ 303,360	\$ 101,632	\$ 766	\$ 1,548,716	\$ 184,970	\$ 12,546	\$ 197,516	\$ 1,746,232

The accompanying notes to financial statements
are an integral part of these statements

**THE UNION FOR CONTEMPORARY ART, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 3,728,604
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities	
Depreciation	79,544
(Increase) Decrease in Assets:	
Unconditional Promises to Give	(1,940,595)
Other Receivables	(1,789)
Increase (Decrease) in Liabilities:	
Accounts Payable	497,321
Accrued Wages and Vacation	7,291
Other Accrued Expenses	(2,956)
Refundable Advances	1,200,000
Net Cash Provided By Operating Activities	3,567,420

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property and Equipment	(2,010,915)
Net Cash Used In Investing Activities	(2,010,915)

Net Increase in Cash, Cash Equivalents and Restricted Cash and Cash Equivalents 1,556,505

CASH, CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 1,641,265

CASH, CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS- END OF YEAR **\$ 3,197,770**

Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents to the Statement of Financial Position

Cash and Cash Equivalents	\$ 2,638,921
Cash and Cash Equivalents - Restricted for Capital Projects	558,849
	\$ 3,197,770

SUPPLEMENTAL DISCLOSURE OF NON CASH INVESTING AND FINANCING ACTIVITIES

Operating Lease Right-of-Use Asset Obtained in Exchange for Operating Lease Liability	\$ 12,289
---	-----------

The accompanying notes to financial statements
are an integral part of these statements

THE UNION FOR CONTEMPORARY ART, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The Union for Contemporary Art, Inc. (the Organization) is presented to assist in understanding the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management who are responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

Reporting Entity

The Organization is a not-for-profit corporation organized to strengthen the cultural and social landscape of the community by using arts as a vehicle to inspire positive social change. The Organization supports the following major programs:

- *Shirley Tyree Theatre* – A new space for community gathering, fellowship and storytelling. This is a capital campaign renovation project that is anticipated to be complete in 2023.
- *Abundance Garden* – An inviting community space for growing and gathering, sharing free and fresh produce with North Omaha neighbors.
- *Co-Op Studios* – Five Co-Op studios offer affordable access to professional artmaking equipment, resources, and development for Omaha-area artists.
- *Exhibition* – The Wanda D. Ewing Gallery promotes the work of local, regional, and international artists who are committed to producing art that is both innovative and socially engaged.
- *Fellowship* – The Inside/Outside Fellowship program provides studio space, resources, professional development and financial support to five emerging Omaha area artists every year.
- *Neighborhood Arts* – Increasing the visibility of the arts in North Omaha and inviting community participation in the development of neighborhood murals and other public art projects.
- *Performing Arts* – Curating thought-provoking theatre that reflects authentic and diverse narratives about experiences within the African diaspora.
- *Youth Outreach and Engagement* – Inspiring North Omaha children and teens to be agents for change in their lives and communities through arts education and civic engagement.
- *Populus Fund* – A regrantee initiative organized in order to support innovative artist projects throughout Omaha-Lincoln. Founded to provide essential support for projects that expand our understanding of how art exists in the world, address community needs, and exemplify new ways of working in, for, and with the public.

The Organization supports other programs as well including “Undesign the Redline” and other miscellaneous public programs throughout the year.

THE UNION FOR CONTEMPORARY ART, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The Organization maintains its accounts on the accrual basis of accounting.

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restriction – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and change in net assets as released from restriction.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Measure of Operations

In the statement of activities and change in net assets, the Organization includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities.

Cash, Cash Equivalents and Restricted Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash or cash equivalents but are instead included as restricted cash and cash equivalents on the statement of financial position.

THE UNION FOR CONTEMPORARY ART, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unconditional Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give expected to be collected in future years are recorded at the present value of their estimated future cash flows. Management reports promises to give net of allowance for uncollectible promises on its financial statements. The Organization considers unconditional promises to give to be 100% collectible; therefore, no allowance for uncollectible amounts has been established.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for additions and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. The cost of assets disposed and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses from property disposals are recognized in the year of disposal.

Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Leasehold Improvements	15-39
Furniture and Equipment	3-10

Construction in progress represents assets paid for at year end but not yet completed or placed into service. As of December 31, 2022, the full balance is related to the Shirley Tyree Theatre project and costs associated with renovation.

Gifts of cash that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the acquired long-lived assets are placed into service. As of December 31, 2022, there is \$2,253,417 in construction in progress that has not been released from restriction due to the assets not yet being placed into service.

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions.

THE UNION FOR CONTEMPORARY ART, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Employees of the Organization are entitled to certain amounts of paid personal time off. In the event of termination, an employee is reimbursed for accumulated unused paid time off. The Organization's policy is to recognize the cost of the compensated absences when actually earned by the employees and is included in the accompanying financial statements.

Refundable Advances

Refundable advances are made of grants received from donors that have not been recognized as revenue because the conditions of the grant have not been met. As of December 31, 2022, the balance of \$1,200,000 represents grants associated with the capital campaign with conditional requirements and a right of return. \$900,000 of the balance is conditioned upon the funding being utilized within 3 years. This balance is required to be maintained in a separate bank account. \$300,000 of the balance is conditioned upon a specific percentage of the project being performed by minority owned businesses. Once the conditions associated with these grants are met, the amounts will be recognized as revenue.

Revenue and Revenue Recognition

Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers" ("Topic 606") applies to all contracts with customers, except for customers that are within the scope of other standards, such as leases, insurance, collaboration arrangements and financial instruments. Under Topic 606, the Organization recognizes revenue when a customer obtains controls of promised goods or services, in an amount that reflects the consideration which the Organization expects to receive in exchange for those goods or services.

To determine revenue recognition for arrangements that the Organization determines are within the scope of Topic 606, the Organization performs the following five steps: (i) identify the contract with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Organization satisfies the performance obligation. The Organization only applies the five-step model to contracts when it is probable that it will collect the consideration it is entitled to in exchange for the goods and services it transfers to the customer.

At contract inception, once the contract is determined to be within the scope of Topic 606, the Organization assesses the goods or services promised within each contract and determines those that are performance obligations. The Organization then assesses whether each promised good or service is distinct and recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

THE UNION FOR CONTEMPORARY ART, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition (Continued)

A majority of the Organization's revenue (contributions and grants) are outside the scope of this standard. The Organization recognizes contributions and grants when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. All support and revenues are considered unrestricted unless stipulated by the donor or grantor.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs allocated among program and supporting services are based on management's estimate of time and effort of programs benefited.

Advertising

The Organization uses advertising to promote its programs, recruit volunteer mentors, and raise awareness about community-based mentoring. Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2022 was \$4,892.

Income Taxes

The Organization has received exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. As such, no provision for income taxes is reflected in the financial statements.

The Organization files Form 990, *Return of Organization Exempt from Income Tax*, in the U.S. Federal and state jurisdictions. As of December 31, 2022, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years subsequent to 2019 remain subject to examination by major tax jurisdictions.

The Organization has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits.

Subsequent Events

Management has evaluated subsequent events through March 23, 2023, which is the date the financial statements were available to be issued.

THE UNION FOR CONTEMPORARY ART, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements

Leases

In February 2016, the FASB issued Accounting Standards Codification (ASC) Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements.

Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities and change in net assets. The Organization adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on January 1, 2022.

The Organization elected the “package of practical expedients” under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the “hindsight” practical expedient.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Organization’s operating leases of approximately \$12,289 and \$12,289 respectively, at January 1, 2022. The adoption of the new lease standard did not materially impact net earnings or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

THE UNION FOR CONTEMPORARY ART, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements (Continued)

Contributed Nonfinancial Assets

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance improves transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities and change in net assets, apart from contributions of cash or other financial assets.

The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a not-for-profit entity has received. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Accordingly, the Organization adopted the new standard for the year ending December 31, 2022. The standard did not have a material impact on the financial statements.

NOTE B – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to credit risk consist of cash, and unconditional promises to give. The Organization maintains cash balances in financial institutions in which balances sometimes exceed the federally insured limits. As of December 31, 2022, the Organization has \$2,946,560 in cash balances that are uninsured.

NOTE C – LIQUIDITY AND AVAILABILITY

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To manage any unanticipated liquidity needs, the Organization has credit cards that could be utilized.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, comprise the following:

Cash and Cash Equivalents	\$ 2,638,921
Unconditional Promises to Give	605,939
Other Receivables	1,789
Cash and Cash Equivalents – Restricted for Capital Projects	558,849
Unconditional Promises to Give – Restricted for Capital Projects	<u>2,550,000</u>
	6,355,498

THE UNION FOR CONTEMPORARY ART, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2022

NOTE C – LIQUIDITY AND AVAILABILITY (Continued):

Less those unavailable for general expenditure within one year,
due to contractual or donor-imposed restrictions:

Purpose Restricted Net Assets	(3,002,281)
Time Restricted Net Assets with Purpose Restrictions	(2,710,000)
	<u>\$ 643,217</u>

NOTE D – PROMISES TO GIVE

The maturities of unconditional promises to give are as follows at December 31, 2022:

Receivable in Less than One Year	\$ 3,139,939
Receivable in One to Five Years	16,000
	<u>\$ 3,155,939</u>

\$2,550,000 of the balance is restricted for the construction of long-lived assets.

In addition, the Organization has approximately \$2,250,000 in conditional promises to give where the amounts will be recognized once the conditions associated with them are met and the respective barriers are overcome. The conditions have not been met as of December 31, 2022; therefore, the amounts are not included in the accompanying financial statements. Following is a description of the conditional promises to give and the associated conditions:

<u>Condition</u>	<u>Amount</u>
Percentage of certain projects performed by minority owned businesses	\$1,200,000
Completed construction of Shirley Tyree Theatre within designated time frame	\$ 900,000
Receipt of 2024 operating pledges	\$ 100,000
Incur costs for specific program	\$ 50,000

NOTE E – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods as of December 31, 2022:

Promises to give which are unavailable for expenditure until due	\$ 3,155,939
Purpose restrictions:	
Shirley Tyree Theatre*	2,812,266
Undesign the Redline	91,682
Populus	98,333
Net Assets with Donor Restrictions	<u>\$ 6,158,220</u>

THE UNION FOR CONTEMPORARY ART, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2022

NOTE E – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Included in the \$3,155,939 of time restricted net assets is \$2,710,000 that is also restricted for specific programs as noted below. Once the funds are received, they will be moved to their respective program restriction.

Youth Outreach and Engagement	\$ 19,000
Fellowship	15,000
Performing Arts	11,000
Co- Op Studios	15,000
Populus Fund	100,000
Shirley Tyree Theatre	2,550,000
	<u>\$ 2,710,000</u>

*There is currently \$2,253,417 related to construction in progress included in this account that has not been released from restriction. Once the assets are placed into service, restrictions will be released.

NOTE F – ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions during the year ended December 31, 2022 by incurring expenses satisfying the following restricted purposes specified by donors:

Abundance Garden	\$ 34,250
Co-Op Studios	38,345
Exhibition	42,500
Fellowship	79,000
Performing Arts	193,570
Youth Outreach and Engagement	159,199
Populus Fund	101,668
Shirley Tyree Theatre	25,064
Other Programs	765
Time Restricted Net Assets Released	201,343
Total Net Assets Released from Restrictions	<u>\$ 875,704</u>

NOTE G – LEASES

The Organization entered into a lease agreement for office space commencing on January 2, 2017 and set to expire in December 2026. The agreement provides for an optional extension for two consecutive additional periods of five years each upon written notice to the Landlord. The original lease agreement required the Organization to pay \$2,000 per month for their office building until October of 2018 when an amendment was made to the lease agreement. The amendment removed the monthly rent requirement but shifted responsibility for all repairs and maintenance of the property to the Organization.

THE UNION FOR CONTEMPORARY ART, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2022

NOTE G – LEASES (Continued)

In 2021, the Organization entered into a lease agreement for real property commencing in June 2021 and set to expire in July 2031. The agreement provides for an options extension for two consecutive additional periods of five years upon written notice to the Landlord. The Organization is currently renovating the property and it will be used as a social gathering, theatre and entertainment space once complete. The lease requires that the Organization pay for all repairs and maintenance of the property along with 100% of all utility costs for the Premises.

The total amount paid for the variable payments on the aforementioned building leases was \$38,687 for the year ended December 31, 2022 and is included in building expenses and repairs and maintenance on the statement of functional expenses.

In 2022, the Organization began leasing certain office equipment which is set to expire in April 2027. The lease requires monthly payments of \$199 plus certain variable costs. The total amount paid on this lease was \$2,448 for the year ended December 31, 2022 and is included in equipment rental on the statement of functional expenses.

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the year ended December 31, 2022:

Operating lease cost	\$ 2,388
Variable lease cost - Buildings	38,687
Variable lease cost - Equipment	60
Total lease cost	<u>\$ 41,135</u>

Supplemental information related to leases is as follows for the year ended December 31, 2022:

Cash paid for amounts included in measurement of lease liabilities:	
Operating cash outflows – payments on operating leases	<u>\$ 2,388</u>
Right-of-use assets obtained in exchange for new lease obligations	
Operating leases	<u>\$ 12,289</u>
Weighted-average remaining lease term- operating	<u>4.25 years</u>
Weighted-average discount rate- operating	<u>1.37%</u>

THE UNION FOR CONTEMPORARY ART, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2022

NOTE G – LEASES (Continued)

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the statement of financial position are as follows as of December 31, 2022:

<u>Years Ending December 31,</u>	<u>Operating Leases</u>
2023	\$ 2,388
2024	2,388
2025	2,388
2026	2,388
2027	796
Total Lease Payments	<u>\$ 10,348</u>
Less imputed interest	(295)
Total present value of lease liabilities	<u>\$ 10,053</u>

NOTE H – RETIREMENT PLAN

The Organization has a 401(k) defined contribution retirement plan (the Plan) that began in 2021. The Plan allows eligible employees to defer a portion of their annual compensation, pursuant to section 401(k) of the Internal Revenue Code. The Organization also makes a matching contribution to the Plan. The Organization's matching contributions to the Plan were \$27,497 for the year ended December 31, 2022.

NOTE I – RESTATEMENT OF NET ASSETS

The Organization's net assets as of January 1, 2022 have been restated to correct a prior period error. As of and for the year ended December 31, 2021, unconditional promises to give, contributions and grants revenue, and net assets with donor restrictions were understated by \$100,000. As a result, net assets with donor restrictions as of January 1, 2022 have been increased to reflect the correction of this error. The following is a summary of the restatement on net assets as of January 1, 2022:

	<u>Previously Reported</u>	<u>Increase (Decrease)</u>	<u>Restated Balance</u>
Net Assets With Donor Restrictions	\$ 2,403,149	\$ 100,000	\$2,503,149

Lutz